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**CENTRAL INTELLIGENCE AGENCY**  
WASHINGTON, D.C. 20505

18 December 1975

The Honorable James T. Lynn  
Director, Office of Management and Budget  
Old Executive Office Building  
Washington, D.C. 20503

Dear Jim:

The following are my comments on the report prepared by Don Ogilvie and his colleagues. Each of us will have his own personal views and his own problems with the paper. In stating my own, I do not want to detract from the effort and expertise that went into it, especially against the deadlines imposed. What follows, however, must necessarily emphasize the problems rather than the strengths.

In responding to the outline that accompanied the report, I discuss the full range of topics covered by the Study Group (Attachment B). Here I wish to concentrate on organization and management, the most difficult and ultimately the most important of the issues we face.

I believe the future structure for American intelligence should rest on the following principles:

- The DCI should have full, easy, and regular access to the President and National Security Council, but should not act as a partisan political supporter of the Administration. Two way communication between the DCI and the President is essential.
- He should be able to provide the President and the NSC and, to the extent feasible, the Congress with assessments of foreign events based on analysis under his control and independent of the major government departments.



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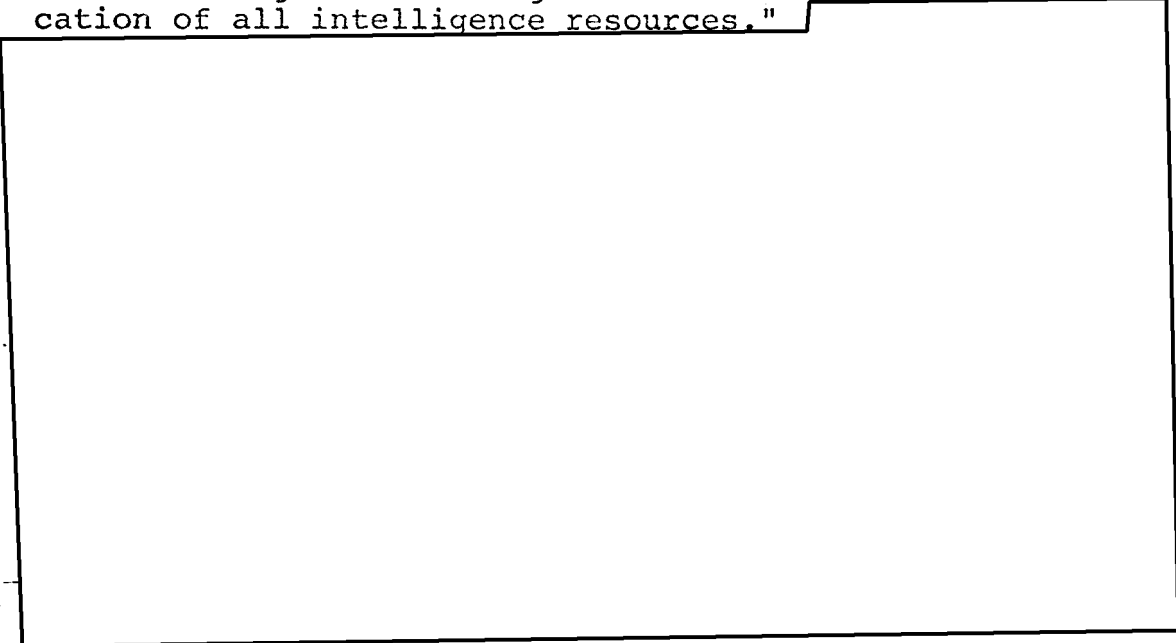
- The system that supports him should be shaped to provide the best possible intelligence; resource allocations, procedures, and organization should be driven by the substantive goals set by national needs for intelligence.
- The DCI should have an established relationship with the Secretaries of State and Defense that enables them to work efficiently together.
- The Department of Defense should be assured that the intelligence capabilities it needs in wartime will be available.
- That portion of the Defense budget allotted to national intelligence resources should be clearly identified and segregated from the Defense budget proper.
- In assessing foreign events competition in analysis should be encouraged. In collection, duplication should be avoided except where it greatly increases the chances of acquiring vital intelligence.
- The Intelligence Community should be managed with due regard for resource constraints. (This point is put last for a reason. Too many studies of intelligence approach it with a total focus on economy. Economy is necessary, indeed it is incumbent on all intelligence managers to make hard choices to that end, but it should not be an end in itself. The primary purpose must be to produce good intelligence).

Effective management of an intelligence organization built on these principles will depend to a considerable extent on the way it structures the relationship between the DCI and the Secretary of Defense. My basic difficulty with the Study Group's report is that it deals with a number of separate aspects of this problem, but does not pull them together so as to focus attention

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on a matter of such fundamental importance. In simplest terms, the DCI is supposedly responsible for "planning and reviewing all intelligence activities and the allocation of all intelligence resources."



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Together these facts mean that, under present arrangements, unless a DCI and a Secretary of Defense see things the same way, the former is not going to be able to do his job.

There are several other topics which must be addressed in any study of Intelligence Community management that seem to me not fully treated in this report.

a. I have noted the importance to the DCI of an independent analytic capability. This is crucial to an understanding of the DCI's role. Without it, no matter what the DCI's paper independence, he is the prisoner of departmental analysis. With it, he can challenge long-standing departmental positions and stimulate new attacks on stubborn problems.

b. The paper gives insufficient emphasis to the importance of an authoritative and informed focus in the Executive for preparing the intelligence program and defending the budget before

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Congress. Congress is moving aggressively toward assuming what are essentially management functions over intelligence programs. This trend can only be reversed if the congressional members of the oversight committees develop confidence in the Executive both with respect to the intelligence program and the execution of its budget.

c. The document does not discuss the importance of maintaining an independent and innovative capability for developing technology and applying this technology to technical collection programs.

Against this background, my reaction to the options developed by the Study Group paper is that they get ahead of the problem by being too specific on complicated issues. The fact is we are not yet ready to ask the President to make a definitive choice on a future intelligence structure. There is no "one" solution to the problems that face us, and every change in one function has repercussions in others that may be impossible to foresee. The Study Group's options will be extremely useful in illustrating for the President the range of choice, but should not be used as a basis for decision. In my view, we should use them to seek from the President a general indication of the direction in which he wants to move. On that basis we can then set in motion detailed studies of the consequences that will ensue from a given choice, and can present for him in some detail the choices he has in reaching that goal.

My comments on the Options themselves are derived by testing them against the principles stated above. By that standard:

--Option 1, which centralizes control of national systems under a DCI, cannot meet Defense's legitimate requirements.

--Option 3 effectively destroys the DCI's present limited authority, and thereby makes it impossible for him to be an effective advocate of independent intelligence positions at the NSC level.

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--Options 2 and 4 would appear compatible with the principles stated. Option 2 in its present form has serious workability problems but goes as far as I think we can go in strengthening the DCI relative to Defense. Option 4 does not have these problems but, as it stands, leaves the basic problems of management and resource allocation about where they are now.

The first question that the President must decide is whether major change in intelligence organization is a goal to be sought this year. Congress appears to be moving in this direction, but I doubt that the disruption of our effort that would result from major re-organization would be repaid by the results. I would propose instead to take the initiative by moving to achieve better management of the Community in a way that will not require lengthy Congressional debate. Option 4 provides a basis for such a move, but I believe it is somewhat too weak for the purpose. For this reason I suggest a stronger modification.

This proposal, Attachment A, differs from Option 4 more in intent than in substance. It is specifically aimed at reaching the kind of DCI-SecDef relationship that I believe essential, but without the traumatic change in bureaucratic equities required by Option 2. (On the other hand, it gives no additional muscle to the DCI). It provides a central mechanism for managing the Community, and it makes a clearer distinction between resource issues, where the DCI is at best first among equals, and substantive issues, where he is and should be a great deal more. I think it offers promise for real progress with a minimum of disruption.

While it is true, as the Study Group emphasizes, that Option 4 (or the attached modification) could be carried out by administrative rather than legislative action, I believe that strong confirmatory legislation will eventually be required if the recommended changes are to endure. The authorities and responsibilities of our complex Intelligence Community should not be left to bureaucratic conflict and changes in Administration. Executive action could start us on our way to the changes we think essential, but the ambiguities of the existent statutes must be corrected if there is to be any degree of stability in the new organizational arrangements, and if the Congress is to stand behind them.

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All of the above is predicated on a decision by the President to avoid major change this year. If, however, the President feels that a major reorganization is required, then I believe we should look to some form of Option 2. I believe it provides a tentative basis for planning a proposal, primarily because it seeks a solution to the central DCI-SecDef problem. Should the President go that route I would recommend that he give the departments and agencies time to consider the detailed consequences of the Option 2 approach before finally committing himself to it.

Sincerely,

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W. E. Colby  
Director

Attachments:

Attachment A  
Attachment B

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Letter to James T. Lynn, Director, OMB  
Comments on the report prepared by Don Ogilvie

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